

## Contribution rate increases postponed one year saving \$21 million for employers and members

At their January 2005 Board meeting, PERSI's trustees approved a one year postponement to the scheduled employer and employee contribution rate increases.

The rate increase scheduled for July 1, 2005 will be postponed until July 1, 2006. The rate increase scheduled for July 1, 2006 will be

postponed until July 1, 2007.

This delay will save some \$21 million for employers and members this year (approximately \$13.8 million for employers and \$7.2 million for members.)

Because of excellent investment returns of 18.1% and PERSI's funding status of 90.9% as of June 30, 2004, the

Board felt the increases could be delayed for one year. They will review the rates again next year.

The Board is cautiously optimistic that investment markets will remain stable and that PERSI should be able to meet our funding objectives with the current contribution schedule.

[continued on back](#)

### Scheduled PERSI Contribution Rate Changes

	Until 10-31-97	11-1-97 to 6-30-03	July 1 2003	July 1 2004	July 1 2005	July 1 2006*	July 1 2007*
General Member Employee	6.97%	5.86%	5.86%	6.23%	6.23%	6.60%	6.97%
Police/PERSI Firefighter Employee	8.53	7.21	7.21	7.65	7.65	8.09	8.53
General Member Employer	11.61	9.77	9.77	10.39	10.39	11.00	11.61
Police/PERSI Firefighter (Class 2) Employer	11.85	10.01	10.11	10.73	10.73	11.34	11.95
FRF Firefighters (Class D) Hired after 10/1/80 Employer	27.25	27.25	27.35	27.97	27.97	28.58	29.19
FRF Firefighters (Class A, B) Hired before 10/1/80 Employer	35.90	35.90	36.00	36.62	36.62	37.23	37.84

Member Rate: This is the percent of pay that members contribute to PERSI each pay period.

Employer Rate: This is the rate employers pay on your behalf of employees each pay period.

\* 2006 and 2007 rates may change depending on actuarial and investment gains and losses.

## Contribution rate increases postponed until 2006 continued from front

### How is PERSI's Funding Level Determined?

By state law, each year PERSI's actuarial consultant performs an actuarial valuation based on PERSI's fiscal year-end figures. The valuation is a statistical projection of promised benefits to be paid, and an analysis of PERSI's ability to meet those benefit payments. It is a point-in-time snapshot of PERSI's funding health and is used to determine contribution levels and Gain Sharing availability.

Through the actuarial valuation, PERSI's funding status is calculated. Factors that enter into this are: investment gains or losses, growth in salaries, and various demographics such as gain or loss in membership, number and age of retirees, life expectancies of members, years of service, age of entry into PERSI, retiree Cost of Living Adjustments (COLAs), and more.

As of June 30, 2004, PERSI had an Unfunded Actuarial Liability of \$746.3 million and was 90.9% funded. (This includes the COLA granted to retirees for the year.) The Amortization Period estimated to pay off this UAL was 8.7 years including the scheduled 2004 and 2005 rate increases. State law requires this pay-off period to be 25 years or less.

The Funding Ratio is determined by dividing Actuarial Assets by the Actuarial Liabilities.

For FY04: Actuarial Assets of \$7,420.2 million divided by Actuarial Liabilities of \$8,166.5 million equals a Funding Ratio of 90.9%.

PERSI's funding status is good and continues to improve. The funding level reacts to market and demographic changes. In 2000, PERSI's funding ratio was 116%. This was when we initiated Gain Sharing for employers, retirees and members.

### Funding Level and Contribution Rates

Idaho Code states that if PERSI's amortization period exceeds 25 years, PERSI must increase contribution rates to bring the amortization period within 25 years. As of July 1, 2002, the UAL did exceed 25 years, and the Board raised contribution rates. But to ease the impact on members and employers, the Board delayed the increase for two years and phased the increase over three years. Once again, the Board is delaying an increase for members and employers.

One of PERSI's primary goals is to maintain stable contribution rates at levels required to fund benefits.

## Beware of e-mail retirement scams

Other state retirement systems have recently informed us of retirement scams occurring via e-mail. We are forwarding this information to you to help prevent our members from providing personal information through this type of solicitation.

Retirement system members, sometimes entire school districts, are being solicited by e-mail to provide personal information. The messages are made to appear as though they are from the pension system. The e-mails may have a subject line such as "Complimentary Idaho State Pension Report" with a return address of [retirementplan.org](mailto:retirementplan.org) and a message that attempts to obtain personal information.

The body of the message may state something such as: "The Idaho Retirement System benefit formula was substantially changed recently," and then go on to promise a free estimate if the person responds with name, date of birth, address, gross wages, etc.

PERSI would never have a need to solicit personal or payroll information from our members. Should you learn of any e-mails, please inform PERSI immediately.